REPORT ON EXAMINATION

OF THE

DRIVERS INSURANCE COMPANY

AS OF

DECEMBER 31, 2008

DATE OF REPORT	MAY 7, 2010
EXAMINER	VERONICA DUNCAN BLACK

TABLE OF CONTENTS

STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004

May 7, 2010

Honorable James J. Wrynn
Superintendent of Insurance
Albany, New York 12257

Sir:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 30365 dated July 10, 2009 attached hereto, I have made an examination into the condition and affairs of Drivers Insurance Company as of December 31, 2008, and submit the following report thereon.

Wherever the designation "Company" appears herein without qualification, it should be understood to indicate Drivers Insurance Company.

Wherever the term "Department" appears herein without qualification, it should be understood to mean the New York Insurance Department.

The examination was conducted at the Company's home office located at 575 Jericho Turnpike, Jericho, New York 11753.

1. SCOPE OF EXAMINATION

The Department has performed a single-state examination of Drivers Insurance Company. The previous examination was conducted as of December 31, 2002. This examination covered the six year period from January 1, 2003 through December 31, 2008. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

This examination was conducted in accordance with the National Association of Insurance Commissioners ("NAIC") Financial Condition Examiners Handbook ("Handbook"), which requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. This examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All financially significant accounts and activities of the Company were considered in accordance with the risk-focused examination process. The examiners also relied upon audit work performed by the Company's independent public accountants when appropriate.

This examination report includes a summary of significant findings for the following items as called for in the Financial Condition Examiners Handbook of the NAIC:

Significant subsequent events
Company history
Corporate records
Management and control
Fidelity bonds and other insurance
Pensions, stock ownership and insurance plans
Territory and plan of operation
Growth of Company
Loss experience
Reinsurance
Accounts and records
Statutory deposits
Financial statements
Summary of recommendations

A review was also made to ascertain what action was taken by the Company with regard to comments and recommendations contained in the prior report on examination.

This report on examination is confined to financial statements and comments on those matters that involve departures from laws, regulations or rules, or that are deemed to require explanation or description.

2. DESCRIPTION OF COMPANY

The Company was incorporated under the laws of the state of New York on January 26, 1995 as Spirit Insurance Company and commenced business on May 16, 1996. On December 6, 1999, the Company's name was changed to Drivers Insurance Company ("Drivers"). The Company ceased writing business in 2000. Effective January 1, 2002, Tri-State Consumer, Inc. acquired a 60% ownership of Drivers in return for a capital infusion of $806,000 and commenced writing business.

Effective November 16, 2007, Tri-State Consumer, Inc's owners, Penny Fern Hart and Dean Evan Hart, entered into a stock purchase agreement with WBL Partners, LLC ("WBL"), Mr. Charles K. Slatery and Mr. James D. Lackie for the acquisition of Tri-State Consumer Inc. and its subsidiaries. The Department approved the captioned acquisition of control on April 16, 2008. Effective April 30, 2008, pursuant to the stock purchase agreement WBL Partners, LLC through its wholly-owned subsidiary, WT Holdings Inc., acquired all of the shares of Tri-State Consumer, Inc.

Subsequent to the date of this examination, the minority shareholders of the Company; John Rose, Michael Lomelo, Eugene Cella, James Rose, and TDIG Holdings, Inc., exercised the "Shareholder Call Right" set forth in the Company's Amended and Restated Shareholders' Agreement dated November 15, 2007, pursuant to which, Tri-State Consumer Inc. sold all of its shares in the Company to the minority shareholders.

Effective March 30, 2009, the Department approved a stock purchase agreement for the acquisition of control of 100 shares of the Company's common stock, constituting all of the issued and outstanding shares of the Company, by the Hereford Holding Company Inc. The sale was finalized on August 26, 2009.

Capital paid in is $700,000 consisting of 100 shares of common stock at $7,000 par value per share. Gross paid in and contributed surplus was $1,156,838 and did not change during the examination period.

A. Management

Pursuant to the Company's charter and by-laws, management of the Company is vested in a board of directors consisting of not less than thirteen members. The exact number of the board is to be determined in accordance with the provisions of the Company's by-laws. The board met approximately four times during each of the years under examination. At December 31, 2008, the board of directors was comprised of the following fifteen members:

Name and Residence	Principal Business Affiliation
Robert F. Carlin II Kings Park, NY	Secretary, Drivers Insurance Company
Shepard Doniger Delray Beach, FL	President and Chief Executive Officer, Black Dog Communications
Barbara Elis Syosset, NY	Vice President, Tri-State Consumer Insurance Company
Blair Farinholt Atlanta, GA	Director of Business Development, Maestro Music
Penny Fern Hart New York, NY	President, Drivers Insurance Company
Ronald Fishman New York, NY	Director, Wander & Cohen
John Gwynn Memphis, TN	President, JDG Research, LLC.
James D. Lackie Memphis, TN	President and Chief Executive Officer, Lackie Trading
Michael Lomelo East Setauket, NY	Director, Spirit Agency
Milo Pinckney Stone Mountain, GA	Director, Graduate Medical Consultant Group

Name and Residence	Principal Business Affiliation
Stephen Roberts Memphis, TN	Director, Wisteria Capital Management
John R Rose Setauket, NY	Director, Spirit Agency
David Schwartz Great Neck, NY	Director, First Capital Equities
Charles K. Slatery Memphis, TN	Chairman of the Board, WT Holdings Inc.
William Van Thompson III Memphis, TN	Vice President, NFC Investments, LLC.

A review of the minutes of the board of directors' meetings held during the examination period indicated that the meetings were generally well attended and that each board member had an acceptable record of attendance.

As of December 31, 2008, the principal officers of the Company were as follows:

Name	Title
Penny Fern Hart	President and Treasurer
Robert F. Carlin II	Secretary
John R. Rose	Vice President

B. Territory and Plan of Operation

As of December 31, 2008, the Company was licensed to write business only in the State of New York.

As of the examination date, the Company was authorized to transact the kinds of insurance as defined in the following numbered paragraphs of Section 1113(a) of the New York Insurance Law:

Paragraph	Line of Business
13	Personal injury liability
14	Property damage liability
19	Motor vehicle and aircraft physical damage

Based on the lines of business for which the Company is licensed and the Company's current capital structure, and pursuant to the requirements of Articles 13 and 41 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of $700,000.

The following schedule shows the direct premiums written in New York for the period under examination:

Calendar Year	Direct Premiums Written
2003	$2,982,099
2004	$3,167,534
2005	$3,071,896
2006	$2,982,099
2007	$2,913,219
2008	$3,154,240

The Company writes private passenger automobile liability and automobile physical damage insurance coverage through a select network of insurance brokers. The Company's writings are concentrated in the five boroughs of New York City, Nassau and Suffolk counties.

C. Reinsurance

Assumed

As of December 31, 2008, the Company did not have an assumed reinsurance program in place.

Ceded

As of December 31, 2008, the Company has structured its ceded reinsurance program to limit its maximum exposure on any one risk as follows:

Type of treaty	Cession
Property / Casualty:	
Multiple Line Excess of Loss 100% Authorized	Coverage E: Limit of $850,000 excess $150,000 ultimate net loss any one occurrence as respect business written by Drivers Insurance Company for business classified as casualty.

Type of treaty	Cession
	Limit of $700,000 excess $300,000 ultimate net loss any one occurrence in the event that a policy or policies written by Tri-State Consumer Insurance Company or Drivers Insurance Company are involved in the same occurrence.
Catastrophe Excess of Loss Reinsurance 4 layers 40% Authorized 35% Unauthorized	75% part of 100% as respect each excess layers with a limit of $40,000,000 excess $1,000,000 ultimate net loss any one loss occurrence for business classified as automobile physical damage (comprehensive only).

The Company's reinsurance program has changed since the last report on examination in respect to the type of coverage, retention and the limit of the reinsurance treaty. The Company has replaced its standard quota share retrocession agreement with a multiple line excess of loss arrangement where it is afforded separate reinsurance coverage. The Company entered into this reinsurance arrangement with its affiliate, Tri-State Consumer Insurance Company. In addition, effective June 1, 2008, the Company entered into a catastrophe excess of loss reinsurance treaty for the protection of its automobile physical damage business. With respect to the captioned insurance coverage, the Company is provided reinsurance coverage with a net retention of $150,000.

The examiner reviewed all of the ceded reinsurance contracts in effect at December 31, 2008. As of the examination date, the Company has an excess of loss reinsurance arrangement in place for the protection of its automobile business. The contracts contained the required standard clauses including insolvency clauses meeting the requirements of Section 1308 of the New York Insurance Law.

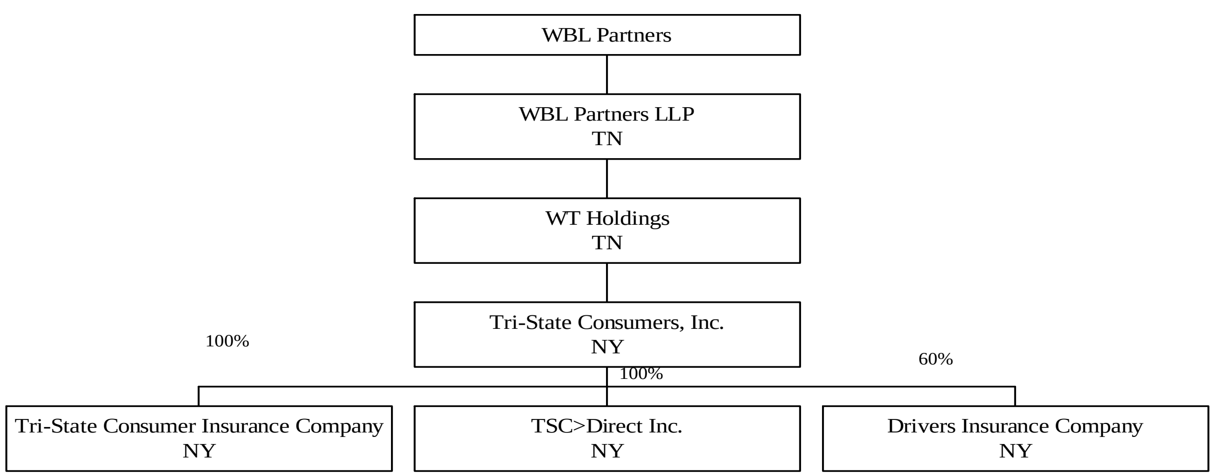
Examination review of the Schedule F data reported by the Company in its filed annual statement was found to accurately reflect its reinsurance transactions. Additionally, management has represented that all material ceded reinsurance agreements transfer both underwriting and timing risk as set forth in the NAIC Accounting Practices and Procedures Manual, Statements of Statutory Accounting Principles ("SSAP") No. 62. Representations were supported by appropriate risk transfer analysis and an attestation from the Company's chief executive officer pursuant to the NAIC Annual Statement Instructions. Additionally, the examination review indicated that the Company was not a party to any finite reinsurance agreements. All ceded reinsurance agreements were accounted for utilizing reinsurance accounting as set forth in SSAP No. 62.

D. Holding Company System

The Company is a member of the WT Holdings Inc. Group. The Company is 100% owned by Tri-State Consumer Inc., which is 100% owned by WT Holdings Inc., a Memphis, Tennessee corporation, which is owned by WBL Partners, LLC., and ultimately controlled by Charles Slatery and James Lackie. Effective April 30, 2008, through a stock purchase agreement, WBL acquired ownership of the Company. Effective August 26, 2009, the Company was sold to Hereford Holding Company, Inc.

A review of the holding company registration statements filed with this Department indicated that such filings were complete and were filed in a timely manner pursuant to Article 15 of the New York Insurance Law and Department Regulation 52.

The following is a chart of the holding company system at December 31, 2008:



At December 31, 2008, the Company was party to the following agreements with other members of its holding company system:

Investment Advisory Services Agreement

Effective April 30, 2008, the Company entered into an investment advisory services agreement with NFC Investments, LLC ("Advisor"), whereby the Advisor agreed to provide certain investment advisory and/or consulting services to the Company. Pursuant to the terms of the agreement, the Advisor shall have the power to supervise and direct the investment and reinvestment of the Company's securities portfolio (including all additions, substitutions, and alterations thereto) subject to the New York State Insurance Law and written investment guidelines adopted by the Company's board of directors. This agreement was approved by the Department on April 18, 2008, pursuant to Section 1505 of the New York Insurance Law.

Management Service Agreement

Effective January 1, 2002, the Company and its affiliate, Tri-State Consumer Insurance Company ("Tri-State") entered into a management agreement whereby Tri-State agreed to manage and supervise the business of the Company. Pursuant to the terms of the agreement, Tri-State agreed to furnish advice, staff and certain managerial services including: negotiating, binding and issuing contract of insurance, claim administrative, accounting and data processing services deemed necessary for the preparation of annual statements and statistical reporting on behalf of the Company. Effective May 9, 2006, the Company and Tri-State executed an addendum to the management agreement, which required a decrease to the management fee, from 14.5% to 13% of gross premium written. The addendum was approved by the Department on May 4, 2006, pursuant to Section 1505(d)(3) of the New York Insurance Law.

Lease Agreement

Effective January 26, 2007, the Company executed a renewal lease agreement with Tri-State. Under the terms of the lease agreement, Tri-State agreed to lease office space to the Company for a period of five years, commencing February 1, 2007 and ending January 31, 2012. The renewal agreement contained terms substantially similar to the former agreement. The agreement requires Tri-State to lease space to the Company consisting of 335 gross rentable square feet, together with a right to use the common facilities in the building. The amended lease agreement was approved by the Department on June 21, 2007, pursuant to Section 1505(d)(3) of the New York Insurance Law.

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2008, based upon the results of this examination:

Net premiums written to surplus as regards policyholders	136%
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	66%
Premiums in course of collection to surplus as regards policyholders	1%

All of the above ratios fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the National Association of Insurance Commissioners.

The underwriting ratios presented below are on an earned/incurred basis and encompass the six year period covered by this examination:

	Amounts	Ratios
Losses and loss adjustment expenses incurred	$12,852,926	76.35%
Other underwriting expenses incurred	4,877,009	28.97
Net underwriting loss	(896,750)	(5.32)
Premiums earned	$16,833,185	100.00%

F. Disaster Recovery Plan

The Company has a business continuity/disaster recovery plan, which clearly describes senior management’s role and responsibilities associated with the declaration of an emergency and implementation of the business continuity and disaster recovery plan. The plan clearly identifies the general process by which the threat will be assessed and the specific individuals who are authorized to declare an emergency. However, the Company's business continuity/disaster recovery plan does not contain a list of critical computer application programs, operating systems and data files. Further, the plan does not contain a list of the supplies, which would be needed in the event of a disaster, together with names and phone numbers of the suppliers. This increases the risk that in the event of disaster, normal operational procedures will not be restored in a timely manner. It is recommended that the Company’s business continuity/disaster recovery plan contain a list of critical computer application programs, operating systems and data files. It is further recommended that the plan contain a list of supplies, which would be needed in the event of a disaster, together with names and telephone numbers of the suppliers.

G. Information Technology ("IT")

(i) Back-up Storage Facility

A review of the Company's IT off-site storage facility shows that the IT manager is responsible for maintaining the Company's back-up files at his residence. It is noted that the files and/or tapes are stored in a cabinet that is neither water-proof nor fire-proof. The examiner notes that in the event of a disaster related to a fire or water damage, the Company's back-up files would be destroyed. It is recommended that the Company find an alternative storage facility to protect its files in the event of a disaster.

(ii) Password Policy

A review of the Company's IT system shows that the system does not automatically prompt users to change their passwords at least quarterly to prevent passwords from being reused by the same individual or misused by an unauthorized user. The examiner notes that the Company's current password policy requires the IT manager to assign a password to an employee and/or user, but does not require the password to be changed. The examiner notes that the Company's current policy may increase the risk of unauthorized use, which would also increase a security risk to the Company's IT system. It is recommended that the Company establish a password policy, which would prompt users to change their passwords at least quarterly to prevent the passwords from being reused by the same individuals or misused by unauthorized users. It is further recommended that passwords be transmitted in an encrypted state across the network during authentication and authorization process.

H. Risk Management and Internal Controls

(i) Premium Receivables

The Company has not written-off uncollectible receivables in a timely manner. The Company explained that all outstanding premiums receivable balances are written-off within a year to a year and a half after becoming overdue. A review of the Company's non-admitted account shows that the account included receivable balance dating back to calendar year 2006. It was also noted that the Company did not write-off the aforementioned uncollectible balance until 2009. The examiner informed the Company of the captioned discrepancy and noted that receivables were not being written-off in a timely manner pursuant to SSAP No. 5 of the Accounting Practices and Procedures Manual. It is recommended that the Company establish procedures to write-off uncollectible amounts in a timely manner pursuant to SSAP No. 5 of the Accounting Practices and Procedures Manual.

I. Accounts and Records

(i) Conflict of Interest Statements

The Company has a conflict of interest policy in place, which requires all of its directors and officers to disclose on a yearly basis any situation that may involve a conflict of interest between their personal interest and the interest of the Company. In reviewing the conflict of interest questionnaires, it was noted that three of the Company's directors did not complete a conflict of interest questionnaire for calendar year 2007, and that one member of the board did not complete a questionnaire for calendar year 2008. It is recommended that the Company put into place the necessary procedures to ensure that all of its directors and officers complete conflict of interest statements as provided in its conflict of interest statement policy.

(ii) Reconciliation of Loss Adjustment Expenses

In reviewing the Company's annual statement, the examiner noted a discrepancy in the reconciliation of the "Adjusting and other" component of loss adjustment expenses for calendar year 2007. The examiner noted a reconciling difference of $185,597 between Schedule P – Part 1 Summary, and the Underwriting and Investment Exhibit – Part 3 loss adjustment expenses (total expenses paid). Upon further review, it was noted that the reconciliation error originated in the Schedule P- Part1J and was carried over to the summary schedule of Schedule P. The Company indicated that the error was corrected in calendar year 2008. However, based upon a review of the Company's subsequent annual statement, the examiner noted that a reconciliation error still exists. It is recommended that the Company take due care in reporting loss adjustment expense components in its future annual statements.

FINANCIAL STATEMENTS

A Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2008, as determined by this examination and as reported by the Company:

	Examination		
Assets	Assets	Assets Not Admitted	Net Admitted Assets
Bonds	$5,129,398	$ 0	$5,129,398
Cash, cash equivalents and short-term investments	388,342	0	388,342
Investment income due and accrued	63,569	0	63,569
Uncollected premiums and agents' balances in the course of collection	32,823	8,265	24,558
Deferred premiums, agents' balances and installments booked but deferred and not yet due	1,100,313	0	1,100,313
Other amounts receivable under reinsurance contracts	71,767	0	71,767
Current federal and foreign income tax recoverable and interest thereon	145,714	0	145,714
Net deferred tax asset	224,383	73,923	150,460
Total assets	$7,156,309	$82,188	$7,074,121

Liabilities, Surplus and Other Funds	Examination	Company	Surplus Increase (Decrease)
Liabilities			
Losses and Loss adjustment expenses	$3,336,029	$3,051,029	$(285,000)
Commissions payable, contingent commissions and other similar charges	33,001	33,001	0
Other expenses (excluding taxes, licenses and fees)	42,643	42,643	0
Taxes, licenses and fees (excluding federal and foreign income taxes)	43,369	43,369	0
Unearned premiums	1,627,286	1,627,286	0
Advance premium	10,283	10,283	0
Ceded reinsurance premiums payable (net of ceding commissions)	(37,793)	(37,793)	0
Remittances and items not allocated	452	452	0
Payable to parent, subsidiaries and affiliates	29,946	29,946	0
Aggregate write-ins for liabilities	1,475	1,475	0
Total liabilities	$5,086,691	$4,801,691	$(285,000)
Surplus and Other Funds			
Common capital stock	$ 700,000	$ 700,000	$0
Gross paid in and contributed surplus	1,156,838	1,156,838	0
Unassigned funds (surplus)	130,592	415,592	(285,000)
Surplus as regards policyholders	$1,987,430	$2,272,430	$(285,000)
Total liabilities, surplus and other funds	$7,074,121	$7,074,121	0

NOTE: The Internal Revenue Service has not yet begun to audit tax returns covering tax years 2003 through 2008. The examiner is unaware of any potential exposure of the Company to any tax assessment and no liability has been established herein relative to such contingency.

B. Underwriting and Investment Exhibit

Surplus as regards policyholders increased $679,615 during the six year examination period January 1, 2003 through December 31, 2008, detailed as follows:

Underwriting Income		
Premiums earned		$16,833,185
Deductions:		
Losses incurred	$10,404,138	
Loss adjustment expenses incurred	2,448,788	
Other underwriting expenses incurred	4,877,009	
Total underwriting deductions		17,729,935
Net underwriting gain or (loss)		$ (896,750)
Investment Income		
Net investment income earned	$ 842,927	
Net realized capital gains	(22,120)	
Net investment gain or (loss)		820,807
Other Income		
Net gain (loss) from agents' or premium balances charged off	$ (117,154)	
Finance and service charges not included in premiums	941,188	
Aggregate write-ins for miscellaneous income	10,876	
Total other income		834,910
Net income before dividends to policyholders and before federal and foreign income taxes		$758,967
Dividends to policyholders		0
Net income after dividends to policyholders but before federal and foreign income taxes		$758,967
Federal and foreign income taxes incurred		227,428
Net income		$ 531,539

	Gains in Surplus	Losses in Surplus	
Surplus as regards policyholders per report on examination as of December 31, 2002			$1,307,815
Net income	$ 531,539		
Change in net deferred income tax	106,035		
Change in non-admitted assets		$76,308	
Cumulative effect of changes in accounting principles	118,349	0	
Total gains and losses	$755,923	$76,308	679,615
Surplus as regards policyholders per report on examination as of December 31, 2008			$1,987,430

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability of $3,336,029 for the captioned items is $285,000 more than the $3,051,029 reported by the Company in its December 31, 2008, filed annual statement. This deficiency represents approximately 12.5% of the Company's surplus as regards policyholders as reported in its 2008 annual statement. The examination analysis was conducted in accordance with generally accepted actuarial principles and practices and was based on statistical information contained in the Company's internal records and in its filed annual statements.

The review conducted by the Department's Actuary indicated a reserve deficiency that was close to the one-year loss and loss adjustment expense reserve development reported by the Company in its 2009 annual statement. Therefore, the Department decided to accept the Company's one-year loss and loss adjustment expense reserve development of $285,000 as reported in its 2009 annual statement.

5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained nine recommendations as follows (page numbers refer to the prior report):

ITEM		PAGE NO.
A.	Management	
	It was recommended that the board members who are unwilling to attend meetings consistently should resign.	5
	The Company has complied with this recommendation.	
B.	Holding Company System	
i.	It is recommended that the Company conduct a study as per Regulation 30 for actual expenses incurred by Tri-State on behalf of Drivers and make necessary adjustments so that management fees reflect the actual cost of the services rendered in compliance with its filed services agreement.	8
	The Company has complied with this recommendation.	
ii.	It is recommended that, in the future, the Company notify the Superintendent in writing at least thirty days prior to entering into transactions that fall within Section 1505(d)(3) of the New York Insurance Law.	9
	The Company has complied with this recommendation.	
C.	Abandoned Property Law	
	It is recommended that the Company comply with Section 1316 of the New York Abandoned Property Law and file the applicable report in the future regardless of whether or not they have any abandoned property to report.	9
	The Company has complied with this recommendation.	
D.	Disaster Recovery Plan	
	It is recommended that the Company develop a formal disaster recovery plan.	11
	The Company has complied with this recommendation.	

ITEM		PAGE NO.
E.	Accounts and Records	
i.	Notes to Financial Statements	11
	It is recommended that due care be exercised in reporting financial disclosure while preparing annual financial statements.	
	The Company has complied with this recommendation.	
ii.	Electronic Data Processing ("EDP")	
	It is recommended that the Company comply with the provisions of Section 1301(a)(18) of the New York Insurance Law for electronic data processing equipment and software and reflect EDP Equipment and software systems less than $50,000 as not-admitted.	12
	The Company has complied with this recommendation.	
iii.	Regulation 30, Part 3 - Expenses	12
	It is recommended that the Company undertake a study to determine the proper amounts to allocate between expenses classified pursuant to Department Regulation 30, Part 107.3 as well as Paragraph 7 of NAIC SSAP No. 70 and the annual statement instructions with respect to expense classification.	
	The Company has complied with this recommendation.	

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM			PAGE NO.
A.		Disaster Recovery Plan It is recommended that the Company's disaster recovery/business continuity plan contain a list of critical computer application programs, operating systems and data files. It is further recommended that the plan contain a list of supplies, which would be needed in the event of a disaster together with names and telephone number of suppliers.	10
B.		Information Technology	
	i.	It is recommended that the Company find an alternative storage facility to protect its files in the event of a disaster.	11
	ii.	It is recommended that the Company establish a password policy which would prompt users to change their passwords at least quarterly to prevent passwords from being reused by the same individuals or misused by unauthorized users. It is further recommended that passwords be transmitted in an encrypted state across the network during authentication and authorization process.	11
C.		Risk Management and Internal Controls	
		It is recommended that the Company comply with its new premium write-off policy pursuant to SSAP No. 5 of the Accounting Practices and Procedures Manual.	12
D.		Accounts and Records	
		Conflict of Interest Statement	
	(i.)	It is recommended that the Company put into place the necessary procedures to ensure that all of its directors and officers complete conflict of interest statements as provided in its conflict of interest statement policy.	12
	(ii.)	Reconciliation of Loss Adjustment Expenses	
		It is recommended that the Company take due care in reporting its loss adjustment expense components in its future annual statements.	12

Respectfully submitted,

/s/
Veronica Duncan-Black
Senior Insurance Examiner

STATE OF NEW YORK)
)ss:
COUNTY OF NEW YORK)

VERONICA DUNCAN BLACK, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

/s/
Veronica Duncan-Black

Subscribed and sworn to before me

this__________ day of ___________________, 2010.

Appointment No. 30365

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, Kermitt J. Brooks, *Acting Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:*

Veronica Duncan Black

as proper person to examine into the affairs of the

DRIVERS INSURANCE COMPANY

and to make a report to me in writing of the condition of the said

Company

with such other information as she shall deem requisite.

In Witness Whereof, I have hereunto subscribed by the name and affixed the official Seal of this Department, at the City of New York,

this 10th *day of* July, *2009*

STATE OF NEW YORK ★ SUPERINTENDENT OF INSURANCE ★ EXCELSIOR

KERMITT J. BROOKS
Acting Superintendent of Insurance